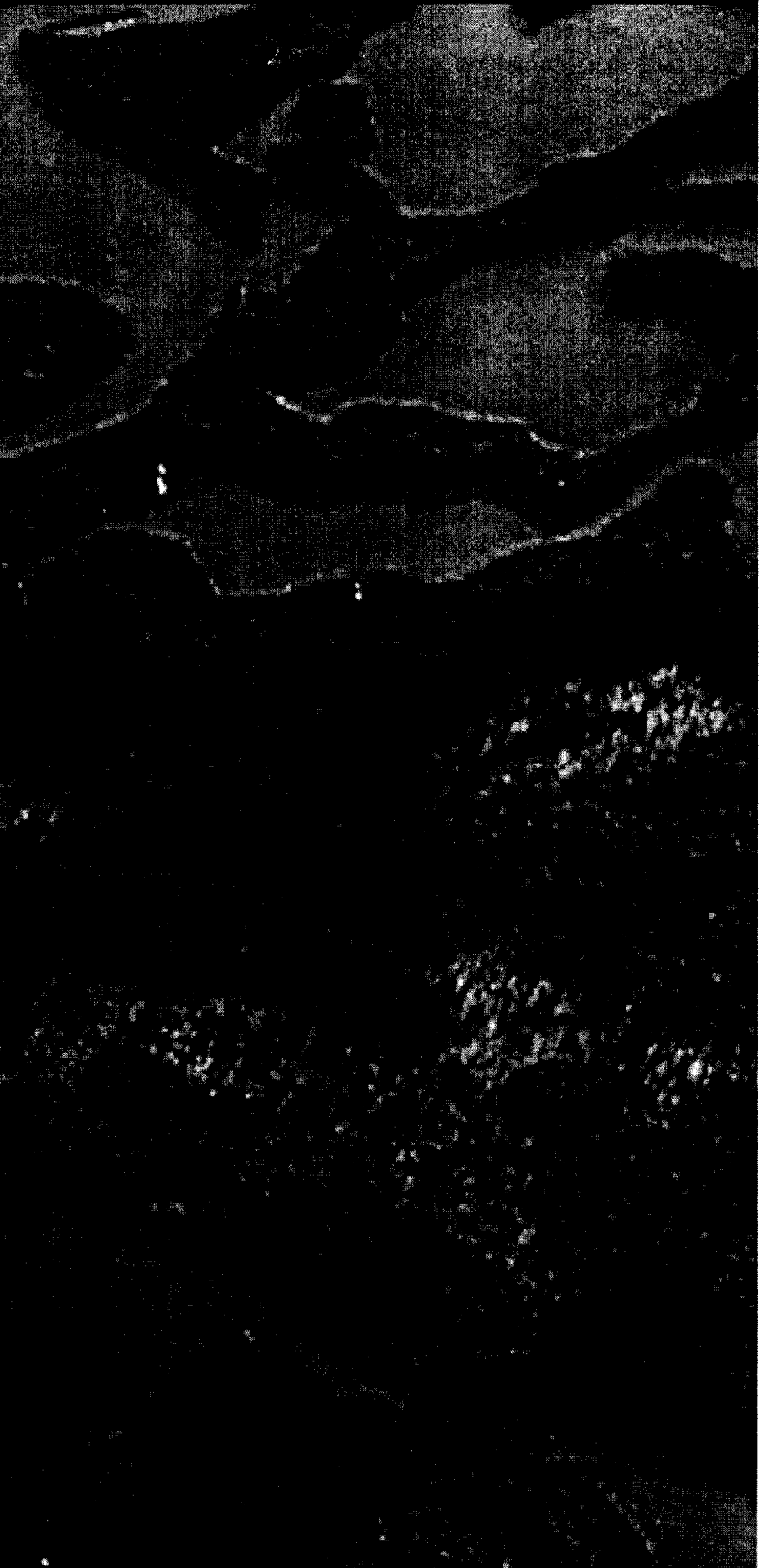


# SMITHFIELD



- Cultivate a company-wide environmental performance and accountability culture across Smithfield's diverse operations;
- Achieve 100 percent compliance, 100 percent of the time;
- Establish meaningful indicators and reduction targets for the combined impacts of our operations;
- Strengthen communications and relationships with diverse stakeholders;
- Implement innovative technologies to enhance operational efficiencies and realize additional opportunities, including performance improvement and cost-savings; and
- Participate in and help fund the development of leading-edge technologies to reduce the environmental impacts of our business.

#### *Optimizing Our Restructured Corporate Environmental Organization*

During this reporting period, Smithfield significantly modified our corporate environmental organization. In the coming years, this new structure will drive continuous improvement efforts.

We formalized our organization to help us benefit from the best practices of Smithfield's diverse subsidiaries — as well as develop and implement environmental policies, direction, and procedures. Smithfield's Environmental Policy Statement was officially communicated to our U.S. operations in fiscal year 2000.

This new organization has established clear lines of accountability and communication from the top of our organization down through each subsidiary. We are striving to ensure that all employees understand their responsibility for Smithfield's environmental performance, and that every member of our team is strongly encouraged to present ideas that help us accomplish our goals.

- Water quality protection;
- Soil conservation;
- Wildlife habitat development;
- Inclusion of buffers between irrigation fields and adjacent land; and
- Preservation of wetlands and natural areas.

By year-end, land management plans for our farms in Virginia and North Carolina will be completed. For company-owned farms in all other U.S. states, we anticipate the completion of land management planning by Fall 2003 and full implementation by Fall 2004.

## **SECTION 2>**

### **RESTRUCTURED FOR RESULTS: SMITHFIELD'S ENVIRONMENTAL ORGANIZATION**

With considerable changes in Smithfield's overall organization over the past few years, we have expanded the Environmental Affairs Department to better support our commitment to performance and accountability.

#### **SUBSECTION 2.1>**

##### **ACCOUNTABILITY AT THE TOP**

The senior management of the Environmental Affairs Group reports directly to Smithfield's president and chief operating officer.

Within business units, senior management is held strictly accountable for compliance. At each Smithfield processing facility, plant managers are responsible for environmental performance.

Executive-level officers review all serious incidents. Critical environmental issues and solutions are also discussed on a quarterly basis between the corporate environmental leadership team and our business units' senior management, which constitute Smithfield's Environmental Compliance Committee.

**SECTION 3>****SETTING AN INDUSTRY STANDARD: ENVIRONMENTAL  
MANAGEMENT SYSTEMS**

Setting the foundation for managing and measuring the environmental performance of Smithfield's combined U.S. operations is a priority for our company. Murphy-Brown, LLC, was the first to implement environmental management systems (EMS) in a number of our hog production facilities based on the international standard, ISO 14001. By December 2001, all of Murphy-Brown's company-owned operations in North Carolina and Virginia went the extra step to achieve ISO 14001 certification, making Murphy-Brown the first livestock production operation in the United States to do so.

Our effort to standardize EMS at Smithfield's U.S. operations advances at a steady pace. With the goal of extending an ISO 14001-compatible EMS to all of Murphy-Brown's U.S. operations by the end of calendar year 2002 — and our Meat Processing Group's U.S. operations by 2004 — we continue benchmarking the status of Smithfield's current systems relative to this standard.

All of our North American facilities will be developing EMS based on the ISO 14001 standard and seeking ISO 14001 certification. Overall system performance will be monitored by our corporate organization.

**SUBSECTION 3.1>****PERFORMANCE INDICATORS**

To date, the ISO 14001-based EMS implemented at Murphy-Brown operations have yielded encouraging results. In the first full year of implementation, these operations have improved Murphy-Brown's compliance record by approximately 85 percent.